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ATTORNEYS

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October 22, 2010

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**PUBLIC SERVICE
COMMISSION**

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

Re: *Application of Chesapeake Appalachia, L.L.C., Pursuant to KRS 278.485 and 807 KAR 5:026, for Adjustment of Rates for Gas Service Provided by Its Farm Tap System and Proposed Tariff*

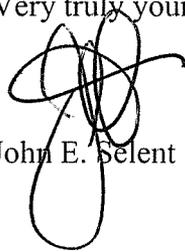
Dear Mr. Derouen:

Enclosed for filing are one original and eleven (11) copies of Chesapeake Appalachia, L.L.C.'s Responses to the Public Service Commission of Commonwealth of Kentucky Staff's First Information Request. Please file-stamp one copy and return it to our courier.

We should also note that due to the voluminous nature of certain of Chesapeake's exhibits, Renee Smith, Branch Manager of the Division of Docket Filings at the Commission, authorized Chesapeake to include one (1) hard copy of these exhibits, with the remaining copies supplied in electronic format on compact disc.

Thank you, and if you have any questions, please call me.

Very truly yours,


John E. Selent

JES/sdt
Enclosures

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND 807 KAR 5:026, FOR) Case No. 2010-00357
ADJUSTMENT OF RATES FOR GAS)
SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)

**CHESAPEAKE APPALACHIA, L.L.C.'S RESPONSES TO THE COMMISSION
STAFF'S FIRST INFORMATION REQUEST**

Chesapeake Appalachia, L.L.C. ("Chesapeake") hereby respectfully responds to the first information request issued by the staff of the Public Service Commission of the Commonwealth of Kentucky ("the Commission").

1. Explain how the 1.2468 Btu conversion rate on page 4 of Chesapeake's application was derived and provide a gas analysis for the wells serving Chesapeake's farm tap customers.

RESPONSE: The 1.2468 Btu conversion factor was derived by querying the volume allocation system (Enertia) for the wellhead Btu values associated with all former Inland Gas Company wells in May 2010. Although in some instances several wellheads are associated with one meter, the wellhead Btu values were averaged over all the meters queried to develop the 1.2468 factor. This represents an accurate conversion factor.

Gas sample analyses for 163 samples representing 183 of the wells serving the KRS farm tap system are attached hereto as Exhibit A.

RESPONSIBLE WITNESS: Robert L. Price

2. The NYMEX gas price information provided in Exhibit I of Chesapeake's application is dated July 9, 2010. Provide the most current 12-month NYMEX strip available.

RESPONSE: The following table contains the NYMEX 12-month strip as of close of market on October 13, 2010.

Nov-10	3.696
Dec-10	4.041
Jan-11	4.278
Feb-11	4.317
Mar-11	4.263
Apr-11	4.227
May-11	4.261
Jun-11	4.319
Jul-11	4.389
Aug-11	4.438
Sep-11	4.457
Oct-11	4.54
Nov-11	4.804
Dec-11	5.13

RESPONSIBLE WITNESS:

Robert L. Price

3. Provide the number of farm tap customers and the number of free gas customers for each of the months set out in Exhibit L, along with the monthly sales for each group.

RESPONSE: The number of farm tap customers and the number of free gas customer and monthly sales volumes for each group are contained in the spreadsheet attached hereto as Exhibit B in response to this request.

RESPONSIBLE WITNESS: Robert L. Price

4. Besides the current rate of \$4.3292 per Mcf, is Chesapeake assessing any other charge such as a late payment penalty, reconnect fee, cash deposit, returned check charge, or collection fee? If yes, provide the amounts of the charges.

RESPONSE: Chesapeake does not assess any other charge such as late payment penalty, reconnect fee, cash deposit, returned check charge, or collection fees.

RESPONSIBLE WITNESS: Robert L. Price

5. Refer to Exhibit K of the application. The table in Exhibit K shows the monthly service charges from Columbia Gas of Kentucky, Inc. (“Columbia”) for the period June 2008 through May 2010.

a. Provide the monthly service charge amounts from Columbia for the period June 2010 through August 2010.

RESPONSE: The monthly service charge amounts from Columbia for the period of June 2010 through August 2010 are as follows:

June 2010 - \$10,675.76

July 2010 - \$13,124.53

August 2010 - \$9,019.09

RESPONSIBLE WITNESS: Robert L. Price

b. Provide a written description of the method Columbia uses to calculate the monthly service charge to Chesapeake, including an explanation of why charges are significantly higher in the winter months.

RESPONSE: Columbia Gas of Kentucky calculates the monthly service charge based on actual costs to provide certain services. The 1992 CNR letter agreement (Exhibit H to the Application to Adjust Rates) identifies these costs for services being associated with meter reading, rendering bills, service calls, etc. billed monthly at cost. Columbia’s invoices primarily reflect costs for employee labor and transportation costs.

The cost for the winter months are significantly higher due to the additional time necessary to provide reliable service to the farm tap customers due to the nature of raw unprocessed production gas being delivered to farm tap customers. Raw production gas from

low volume low pressure wells is significantly affected by moisture and hydrocarbon content contributing to additional operating and service related issues during winter time operations. Service related call-outs occur frequently during the heating season and the time related to perform required tasks generally increases during the winter operating season.

RESPONSIBLE WITNESS: Robert L. Price

c. Provide copies of the monthly invoices from Columbia for June 2009 through August 2010.

RESPONSE: Copies of the monthly invoices from Columbia for the period of June 2009 through August 2010 are attached hereto as Exhibit C.

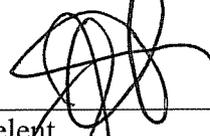
RESPONSIBLE WITNESS: Robert L. Price

6. Refer to Exhibit L of the application. The table in Exhibit L shows the monthly farm tap volumes for the period June 2008 through May 2010. Provide the monthly volumes and number of free gas and paying farm tap customers for the period June 2010 through August 2010.

RESPONSE: The monthly volumes and number of free gas and paying farm tap customers for the period of June 2010 through August 2010 are contained in the spreadsheet attached hereto as Exhibit B in response to this request.

RESPONSIBLE WITNESS: Robert L. Price

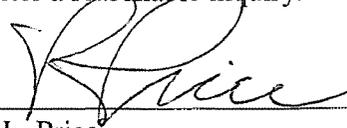
Respectfully submitted,



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(502) 585-2207 (fax)
Counsel to Chesapeake Appalachia, L.L.C.

VERIFICATION

I hereby verify that the foregoing responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Robert L. Price,
Coordinator – Regulatory Compliance
Chesapeake Appalachia, LLC

STATE OF Virginia)

)SS

city
COUNTY OF Virginia Beach)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by ROBERT L. PRICE, to me known, in his capacity as Coordinator – Regulatory Compliance of Chesapeake Appalachia, LLC, this 21st day of October, 2010.

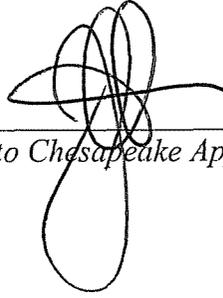
My commission expires: July 31 2012.


Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of this Application was served via first-class United States Mail, postage prepaid, on this 22nd day of October, 2010, upon:

Kentucky Attorney General's Office
Office of Rate Intervention
Suite 200
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Counsel to Chesapeake Appalachia, L.L.C.

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